

## Industry Update

### DC Governance: The Trustee Board

#### Updated Code of Practice and “How To” Guides Go Live

This Update will be of interest to Trustees of Schemes which contain Defined Contribution (“Money Purchase”) benefits, including Defined Benefit Schemes containing Defined Contribution Additional Voluntary Contributions. It has been indicated that some of the measures in this Code may be extended where appropriate to Defined Benefit Schemes in the future.

The Pensions Regulator (tPR) has updated Code of Practice no 13 and produced Guides to help Trustees to comply with the Code. The Code and Guides “go live” on 28 July 2016. This is the first of a series of Updates looking at what this means for Trustees. We will be discussing the practical application of the Code and Guides with Trustees in the coming months.

#### Trustee Body

##### Fit and Proper

tPR wants to ensure that those appointed as Trustees are appropriate to run a scheme.

Ideas from tPR in order to ensure the appropriateness of new Trustees include that the existing Trustees work with employers to assess the fitness and propriety of a potential new Trustee before appointment, as a part of the recruitment process. This would apply equally to employer appointees and to member-nominated Trustees, but the required qualities should not interfere with the member nomination process.

Qualities that should be looked for in a potential new Trustee are:

- Honesty and Integrity
- Competence and Capability
- Financial Probity.

tPR has put together a note on suggested sources for checking that a candidate possesses these qualities.

Trustees should record the steps they take to reach their decision about whether a candidate is fit and proper.

## Succession Planning

Opportunities to interact with Trustee candidates should be taken in order to ensure that potential Trustees can be identified. Possibly a structured induction process could be put in place if the Trustees think this is appropriate.

The Trustee Toolkit could be started before appointment to ensure that a new Trustee has appropriate knowledge and understanding – remember it should be completed within 6 months of appointment.

Trustees should review and refresh learning on the Toolkit regularly, and complete new modules as they are issued.

## Chair of Trustees

tPR feels that a Chair of Trustees needs to have certain qualities. One of the most important qualities to look for in the Chair of Trustees is the ability to represent the interests of the scheme to all relevant parties: employer, advisers, service providers, as well as members.

Useful skills for a Chair include:

- Strategic leadership
- Communication
- Organisation
- Teaching and training (sourcing or delivering)
- Debating, challenging and negotiating
- Managing conflicts.

The Chair of a Defined Contribution Scheme or Section has to complete a statement each year detailing aspects of scheme governance. All Trustees are jointly responsible for ensuring that the Chair's statement is complete, however it is only the Chair who signs and who should be confident it reflects governance accurately. This aspect of governance does not currently apply to a Defined Benefit Scheme where the only Defined Contribution benefits are AVCs.

## Trustee Body Composition

The Trustee board should be diverse and well balanced. tPR suggests the diversity should be across the type of Trustee (member appointed, employer appointed, professional), experience and skills, societal and demographic factors (race, age, sex, disability and orientation). This may be more difficult to achieve for a smaller scheme.

Ideally there should also be a mix of complementary attributes (knowledge, questioning, checking, attention to detail, top level thinking).



## Support for Trustees

The Regulator feels Trustees should consider whether a Scheme Secretary or use of sub-committees or occasional consultation with an independent trustee would assist with the running of the scheme.

## Trustee Meetings

tPR suggests that the following should be standing items:

- Conflicts of Interest
- Management information
- Investment performance and strategy
- Risks to the scheme – new and existing
- Value for members
- Administration
- Member engagement – including communications
- Sub-committee decisions
- Legal updates
- Trustee training plans.

If you would like to discuss this further, please get in touch with your usual contact at Cartwright Group:

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